

**U.S. Customs and Border Protection  
Office of Strategic Trade  
Regulatory Audit Division**

**Focused Assessment Program  
Pre-Assessment Survey  
Audit Program**

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# **Focused Assessment Program** **Pre-Assessment Survey Audit Program**

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## **PRE-ASSESSMENT SURVEY AUDIT PROGRAM**

### **PART 1 BACKGROUND**

#### **1.1 OVERVIEW**

On December 8, 1993, the U.S. Congress enacted modernization provisions for the U.S. Customs Service under Title VI of the North American Free Trade Agreement Implementation Act (Public Law 103-182). These provisions are commonly called the Customs Modernization Act (Mod Act). The Mod Act is based on two basic tenets: shared responsibility and informed compliance. Shared responsibility means that importers and the U.S. Customs Service have a mutual responsibility to ensure compliance with trade and U.S. Customs Service laws. The purpose of informed compliance is to maximize voluntary compliance. The informed compliance concept imposed many publication, consultation, and notice obligations on the U.S. Customs Service.

The Mod Act fundamentally altered the relationship between importers and the U.S. Customs Service. The Mod Act shifted the legal responsibility for declaring the value, classification, and rate of duty applicable to entered merchandise to the importer and requires importers to use reasonable care to assure that the U.S. Customs Service is provided accurate and timely data. The U. S. Customs Service retained the ultimate responsibility to "fix" the value, classification, and rate of duty. Informed compliance is based on the premise that, in order to meet their responsibilities, importers need to be clearly and completely informed of their legal obligations. To meet its obligations under the Mod Act, the U.S. Customs Service will spend more time and use more effective methods to inform the public, with the goal of maximizing voluntary compliance and reducing the need for enforced compliance.

In March 2003, the U.S. Customs Service became part of the U.S. Customs and Border Protection, which will continue to be referenced as Customs in this document.

#### **1.2 AUTHORITY TO CONDUCT AUDITS**

Under 19 U.S.C. 1509, Customs may examine records to ascertain the correctness and determine the liability for duty, fees, and taxes due the U.S. The Focused Assessment Program was developed to guide the audit team through the examination process.

#### **1.3 RISK MANAGEMENT**

Customs performs its duty in an environment in which decisions regarding the allocation of finite resources have become increasingly important. We define risk as the degree of exposure that would result in loss to the trade, industry, or the public. Risk management is the integrated process for identifying and managing risk in trade compliance.

Risk management is a method of managing by identifying and controlling those events that have the potential to cause significant problems. The key to risk management is to gather and analyze all relevant data efficiently and effectively and use these data to make decisions about allocating resources. In Customs trade terms, that means identifying those imports that represent the greatest risk of noncompliance so that we can focus our resources in those areas. Customs acknowledges that not all importers present the same level of risk for noncompliance, and many importers do not present a risk that justifies a significant allocation of resources.

The Focused Assessment Program fulfills critical components of Customs risk management process. First, the Focused Assessment (FA) provides a systematic approach to data collection. Next, an analysis of data can be used to determine the likelihood of noncompliance. Once a potential risk has been identified and analyzed, importers can design an action plan and assign resources to address that risk. Finally, the results of the assessment are reported, tracked, and input back into the risk management process.

The Focused Assessment Program is composed of two processes: Pre-Assessment Survey (PAS) and Assessment Compliance Testing (ACT). During the PAS process, Customs identifies areas of risk by evaluating the adequacy of the importer's internal control system. In ACT, Customs identifies the extent of compliance and/or computes the loss of revenue for areas of risk.

## PART 2 PRE-ASSESSMENT SURVEY

### 2.1 OBJECTIVE

**Identify risks to U.S. Customs and Border Protection and evaluate the adequacy of internal control over Customs activities to determine if risk is acceptable.**

### 2.2 PLANNING AND PREPARATION

**Sub-objective: Plan the Pre-Assessment Survey (PAS) process of the Focused Assessment (FA) program.**

NOTE: If the importer submits a prior disclosure to Customs at any time, the team should decide whether to review it as a part of the PAS and develop appropriate audit steps.

Audit Step	Initials & Date	Work Paper Ref.
A. Obtain clearance from the U.S. Immigration and Customs Enforcement.		
B. Contact company to determine fiscal year, verify location of records, and notify them they are being considered for audit.		
C. Obtain the profile and/or ACS data.		

### 2.3 PRELIMINARY ASSESSMENT OF RISK

**Sub-objective: Evaluate identified potential risks to Customs based on analytical reviews of Customs data and other Customs information and make a preliminary assessment of risk.**

Audit Step	Initials & Date	Work Paper Ref.
A. Identify potential areas of risk using Customs data		
B. Justify the elimination of areas with insignificant risk.		
C. Complete the Preliminary Assessment of Risk form in Attachment 1.		

## 2.4 INITIATE THE AUDIT

**Sub-objective: Prepare necessary documents and contact the company to initiate the audit.**

Audit Step	Initials & Date	Work Paper Ref.
A. Prepare confirmation letter and customize the Internal Control questionnaire.		
B. Identify walk through transactions for each review area and forward to company with confirmation letter and internal control and EDP questionnaires.		
C. Hold and document the advance conference, including the walk through. Additional information about risk obtained during this stage of the audit may be used to adjust the audit scope.		
D. Hold and document the entrance conference.		

## 2.5 INTERNAL CONTROL ASSESSMENT

**Sub-objective: To determine if the company has implemented internal control, test the effectiveness of internal control and determine if internal control is adequate to control risk.**

### A. Transaction Value

Audit Step	Initials & Date	Work Paper Ref.
(1) Evaluate the company's financial records to determine which cost elements affecting transaction value pose a risk to Customs.		
(2) Use the Technical Information for Pre-Assessment Survey (TIPS) for Transaction Value to conduct a preliminary internal control assessment of transaction value. Use the Worksheet for Evaluating Internal Control (WEIC) in TIPS for Transaction Value to conduct interviews, review documentary evidence of control implementation, and document the internal control review.		

Audit Step	Initials & Date	Work Paper Ref.
<p>Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul> <p>(3) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for Transaction Value) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul> <p>(4) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (3) above <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for Transaction Value</li> </ul> <p>(5) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for Transaction Value.</p> <p>(6) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.</p> <p>(7) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up.</p>		

Audit Step	Initials & Date	Work Paper Ref.

## **B. Classification**

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Use the Technical Information for Pre-Assessment Survey (TIPS) for Classification to conduct a preliminary internal control assessment of classification. Use the Worksheet for Evaluating Internal Control (WEIC) in TIPS for Classification to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul> <p>(2) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for Classification) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul> <p>(3) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above <ul style="list-style-type: none"> <li>➤ Request documentation</li> <li>➤ Identify errors in the sample</li> <li>➤ Identify the cause of the errors</li> </ul> </li> </ul>		



Audit Step	Initials & Date	Work Paper Ref.
<ul style="list-style-type: none"> <li>➤ Relate systemic errors to internal control weaknesses                             <ul style="list-style-type: none"> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for Classification.</li> </ul> </li> <li>(4) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for Classification.</li> <li>(5) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.</li> <li>(6) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up</li> </ul>		

### **C. Special Trade Programs and Special Duty Provisions**

Audit Step	Initials & Date	Work Paper Ref.
<ul style="list-style-type: none"> <li>(1) Use the Technical Information for Pre-Assessment Survey (TIPS) for the review area to conduct a preliminary internal control assessment of the review area. Use the Worksheet for Evaluating Internal Control (WEIC) in the TIPS for the review area to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:                             <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul> </li> <li>(2) Using the results of the preliminary assessment of risk and</li> </ul>		

Audit Step	Initials & Date	Work Paper Ref.
<p>internal control review, determine which and how many sample items will be tested to determine if internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for the review area) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul> <p>(3) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for the review area.</li> </ul> <p>(4) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for the review area.</p> <p>(5) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.</p> <p>(6) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up</p>		

**D. Antidumping/Countervailing Duties (ADD/CVD)**

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Evaluate the company's imports to determine which imports may be subject to ADD/CVD and thereby pose a risk to Customs.</p>		

Audit Step	Initials & Date	Work Paper Ref.
<p>(2) Use the Technical Information for Pre-Assessment Survey (TIPS) for ADD/CVD to conduct a preliminary internal control assessment of ADD/CVD. Use the Worksheet for Evaluating Internal Control (WEIC) in the TIPS for ADD/CVD to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul> <p>(3) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if the internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for ADD/CVD) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul> <p>(4) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for ADD/CVD.</li> </ul> <p>(5) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for ADD/CVD.</p>		

Audit Step	Initials & Date	Work Paper Ref.
(6) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.		
(7) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up.		

### **E. Transshipment**

Audit Step	Initials & Date	Work Paper Ref.
(1) Evaluate the company's imports to determine which imports may be subject to transshipment and thereby pose a risk to Customs.		
(2) Use the Technical Information for Pre-Assessment Survey (TIPS) for Transshipment to conduct a preliminary internal control assessment of transshipment. Use the Worksheet for Evaluating Internal Control (WEIC) in the TIPS for Transshipment to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing: <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul>		
(3) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if the internal control is implemented and effective. <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for Transshipment) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul>		

Audit Step	Initials & Date	Work Paper Ref.
<p>(4) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for Transshipment.</li> </ul> <p>(5) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for Transshipment.</p> <p>(6) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.</p> <p>(7) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up.</p>		

#### **F. Intellectual Property Rights**

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Evaluate the company's imports to determine which imports may be subject to IPR violations and thereby pose a risk to Customs.</p> <p>(2) Use the Technical Information for Pre-Assessment Survey (TIPS) for Intellectual Property Rights (IPR) to conduct a preliminary internal control assessment of IPR. Use the Worksheet for Evaluating Internal Control (WEIC) in the TIPS for IPR to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> </ul>		

Audit Step	Initials & Date	Work Paper Ref.
<ul style="list-style-type: none"> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul>		
<p>(3) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if the internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for IPR) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul>		
<p>(4) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for IPR.</li> </ul>		
<p>(5) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 4 of the WEIC for IPR.</p>		
<p>(6) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.</p>		
<p>(7) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up.</p>		

**G. Quantity**

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Use the Technical Information for Pre-Assessment Survey (TIPS) for Quantity to conduct a preliminary internal control assessment of quantity. Use the Worksheet for Evaluating Internal Control (WEIC) in the TIPS for Quantity to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul> <p>(2) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if the internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for Quantity) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul> <p>(3) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above               <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for Quantity.</li> </ul> <p>(4) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for Quantity.</p>		

Audit Step	Initials & Date	Work Paper Ref.
(5) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.		
(6) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up.		

### **H. Foreign Trade Zones**

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Use the Technical Information for Pre-Assessment Survey (TIPS) for Foreign Trade Zones (FTZ) to conduct interviews, review documentary evidence of control implementation, and document the internal control review. A separate TIPS is available for Petroleum FTZ. Use the Worksheet for Evaluating Internal Control (WEIC) in the TIPS for FTZ to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul> <p>(2) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if the internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for FTZ) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul>		



Audit Step	Initials & Date	Work Paper Ref.
<p>(3) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of WEIC for FTZ.</li> </ul> <p>(4) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for FTZ.</p> <p>(5) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.</p> <p>(6) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up.</p>		

### I. Computed Value

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Evaluate the company's financial records to determine which cost elements affecting computed value pose a risk to Customs.</p> <p>(2) Use the Technical Information for Pre-Assessment Survey (TIPS) for Computed Value to conduct a preliminary internal control assessment of computed value. Use the Worksheet for Evaluating Internal Control (WEIC) in the TIPS for Computed Value to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> </ul>		

Audit Step	Initials & Date	Work Paper Ref.
<ul style="list-style-type: none"> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul>		
<p>(3) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC for Computed Value) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul>		
<p>(4) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (3) above <ul style="list-style-type: none"> <li>➢ Request documentation</li> <li>➢ Identify errors in the sample</li> <li>➢ Identify the cause of the errors</li> <li>➢ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of the WEIC for Computed Value</li> </ul>		
<p>(5) Using the results of the internal control review (including testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC for Computed Value.</p>		
<p>(6) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.</p>		
<p>(7) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up</p>		

## J. Other Area

**Note: If other areas are identified for review, develop specific tests for the review area using steps similar to the following.**

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Conduct a preliminary internal control assessment of the review area. Develop a Worksheet for Evaluating Internal Control (WEIC) using the format for other review areas to conduct interviews, review documentary evidence of control implementation, and document the internal control review. Complete Sections 1 and 2 of the WEIC. Assess internal control to determine the strength (weak, adequate or strong) of internal control by analyzing and comparing:</p> <ul style="list-style-type: none"> <li>• Responses to the Internal Control Questionnaire</li> <li>• Review of Policies and Procedures Manual</li> <li>• The walk through</li> <li>• Interview information</li> <li>• Documentation supporting control implementation</li> <li>• Other information.</li> </ul> <p>(2) Using the results of the preliminary assessment of risk and internal control review, determine which and how many sample items will be tested to determine if the internal control is implemented and effective.</p> <ul style="list-style-type: none"> <li>• Complete the matrix "Sample Sizes," (in Section 3 of the WEIC) to determine the sample size. Multiple samples may be taken for the review area.</li> <li>• Complete the sampling plan, FA Program Exhibit 6, with particular emphasis on documenting reasons for selecting transactions.</li> </ul> <p>(3) Test the effectiveness and implementation of internal control and determine if internal control is adequate to control risk.</p> <ul style="list-style-type: none"> <li>• Review sample items from (2) above <ul style="list-style-type: none"> <li>➤ Request documentation</li> <li>➤ Identify errors in the sample</li> <li>➤ Identify the cause of the errors</li> <li>➤ Relate systemic errors to internal control weaknesses</li> </ul> </li> <li>• Identify potential corrective action</li> <li>• Complete Section 4 of WEIC.</li> </ul> <p>(4) Using the results of the internal control review (including</p>		

Audit Step	Initials & Date	Work Paper Ref.
testing), develop an opinion whether risk is acceptable or unacceptable. Document the opinion in Section 5 of the WEIC.		
(5) If the risk to Customs is unacceptable, prepare a finding sheet, discuss the results with the company and obtain their response.		
(6) If unacceptable risks are identified determine whether to proceed to ACT or schedule a follow-up.		

## 2.6 FINALIZING THE AUDIT

**Sub-objective: Finalize the audit.**

Audit Step	Initials & Date	Work Paper Ref.
A. Draft the PAS report.		
B. Discuss the draft report with all Customs offices and the company and obtain comments.		
C. Hold the exit conference with the company to discuss PAS results.		
D. Finalize and issue the PAS report.		

# **ATTACHMENT 1 PRELIMINARY ASSESSMENT OF RISK - EXAMPLE OF BLANK FORM**

**Name of Auditee:**

**Audit Assignment No:**

**Subject of Audit**

Preliminary Assessment of Risk Review

**Documentation:**

**Purpose/ Sub-objective Source** Evaluate identified potential risks to Customs based on analytical reviews of Customs data about the company's areas of Customs activities and make a preliminary assessment of risk.

**Scope/ Work Performed**

**Conclusion/ Findings & Conclusion** The risk level for each area selected for review is as follows:

Area	Risk Level
XXX	
YYY	

(End of PSSC)

## **Section 1: Risk Level for Areas Selected for Review**

Preliminary Assessment of Risk– XXX		
Element	Explanation	Risk Level
Significance		
Quantitative Analysis		
Sensitivity and Customs red flags		
Qualitative Analysis		

Preliminary Assessment of Risk– XXX		
Element	Explanation	Risk Level
Overall Preliminary assessment of risk:		

Preliminary Assessment of Risk– YYY		
Element	Explanation	Risk Level
Significance		
Quantitative Analysis		
Sensitivity and Customs red flags		
Qualitative Analysis		
Overall Preliminary assessment of risk:		

## Section 2: Areas Not Included in the Audit Scope Because of Insignificant Risk

Areas with Insignificant Risk	
Area	Explanation for Insignificance and Lack of Sensitivity